

## Message Text

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22

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 OMB-01

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CEA-01 CIEP-01 FPC-01 INT-05 SAM-01 OES-06 STR-04

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TO SECSTATE WASHDC 4648

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY BRIDGETOWN

AMEMBASSY GEORGETOWN

AMEMBASSY SANTO DOMINGO

USCINCSO QUARRY HEIGHTS

CINCLANT NORFOLK VA

C O N F I D E N T I A L CARACAS 10715

E.O. 11652: GDS

TAGS: PFOR, PINT, PINS, MARR, ENRG, EFIN, EINV, VE

SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 10395 (NOTAL)

SUMMARY. THE AFTERMATCH OF LAST WEEK'S SUPREME COURT DECISION ON DEPUTIES HERRERA AND MESA REVEALED THAT IT CONTAINED SOMETHING FOR EVERYONE. OPPOSITION LEADERS HAVE CRITICIZED THE NEW SECURITY AND DEFENSE LAW FOR LIMITING FREE EXPRESSION AND THE RIGHT TO STRIKE. THE NEW COMPTROLLER GENERAL HAS UNEXPECTEDLY RESURRECTED THE CLAIM FOR \$500 MILLION IN BACK TAXES FROM THE FORMER OIL CONCESSIONAIRES. THE GOV HAS OFFERED THE DOMINICAN REPUBLIC AND BARBADOS FINANCING FROM THE VENEZUELAN INVESTMENT FUND FOR PETROLEUM PURCHASES. GEN. RAUL GIMENEZ GAINZA, AN AD SUPPORTER

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AND CLOSE FIREND OF PRESIDENT PEREZ, HAS BEEN NAMED DISIP

DIRECTOR. AN INVESTIGATION INTO CORRUPTION IN THE CITY COUNCIL FOR EASTERN CARACAS HAS RESULTED IN THE ARREST OF A PROMINENT LOCAL POLITICIAN AND NINE OTHERS. SIGNIFICANT CHANGES IN ELECTORAL PROCEDURES ARE BEING DISCUSSED WITH INCREASING FREQUENCY. END SUMMARY.

1. THE COURT'S DECISION ON HERRERA AND MESA--THE AFTERMATH: SOMETHING FOR EVERYONE. FOLLOWING THE PUBLICATION OF THE LEGAL DOCUMENTATION AND WITNESSES' TESTIMONY ON WHICH THE SUPREME COURT BASED ITS DECISION LAST WEEK IN THE CASE OF DEPUTIES FORTUNATO HERRERA AND SALOM MESA AND THE LIFTING OF THE DEPUTIES' IMMUNITY BY CONGRESS' STANDING COMMITTEE, EACH OF THE MAJOR INSTITUTIONAL ACTORS IN THE DRAMA COULD CLAIM SOME SATISFACTION. AD IS PLEASED BOTH THAT CONGRESS LIFTED THE DEPUTIES' IMMUNITY IN THE STANDING COMMITTEE AND DID SO RAPIDLY, WITHOUT A FULL-BLOWN CONGRESSIONAL DEBATE. FURTHERMORE, AD'S VIEW THAT THE CRIMES INVOLVED MILITARY ACTS AND SHOULD THEREFORE BE TRIED IN MILITARY COURTS WAS UPHELD. COPEI, FOR ITS PART, CITED THE FACT THAT AD'S VOLTE FACE TO HOLD AND TRY THE DEPUTIES WITHOUT FOLLOWING CONSTITUTIONAL PRECEDURES WAS DECLARED UNCONSTITUTIONAL. THE AD ON THE OTHER HAND IS ALSO PLEASED THAT THE COURT DECIDED THAT THE CRIMES FALL WITHIN MILITARY JURISDICTION, WHERE THE RULES OF EVIDENCE ARE LESS RIGOROUS THAN IN THE ORDINARY COURTS. A RANKING COPEI LEADER TELLS US THAT THE GOV BLUNDERED SERIOUSLY IN THE RESULT WAS PREORDAINED ONCE THE SUPREME COURT BECAME INVOLVED IN HANDLING THE CASE. (COPEI'S EX-FOREIGN MINISTER ARISTIDES CALVANI HAD ESTABLISHED THE PRECEDENT THAT FLAGRANT MILITARY CRIMES INVOLVING PARLIAMENTARIANS COULD BE JUDGED BY MILITARY COURTS WITHOUT CIVIL REVIEW OR RECOURSE TO THE CONGRESS FOR LIFTING IMMUNITY. MEANWHILE, DEPUTIES HERRERA AND MESA, ONCE AGAIN INCARCERATED IN SAN CARLOS PRISON, TESTIFIED THIS WEEK BEFORE THE MILITARY TRIBUNAL TRYING THE NIEHOUS CASE.

2. DEFENSE AND SECURITY LAW PROVOKES REACTION. THE PROMULGATION LAST WEEK OF THE DEFENSE AND SECURITY LAW HAS RESULTED IN CRITICISM FROM LEFTIST PARTIES AND COPEI, MEP, URD TRADE UNIONISTS, WHO OBJECT TO THE LAW'S PROVISIONS LIMITING THE RIGHT TO STRIKE IN EMERGENCIES AND ALLOWING MILITARY TRIALS OF PERSONS CHARGED WITH UNAUTHORIZED DISCLOSURE OF CLASSIFIED INFORMATION. THE LAW ALSO GIVES THE PRESIDENT THE RIGHT TO DECLARE FRONTIER AND INTERNAL SECURITY ZONES WITHIN WHICH FOREIGNERS MAY NOT OWN OR CONFIDENTIAL

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BUILD PROPERTY WITHOUT PRIOR PRESIDENTIAL AUTHORIZATION. THESE POWERS, WHICH WILL PROBABLY BE USED SPARINGLY, ARE INTENDED TO GIVE THE GOV CONTROL OVER THE LARGE NUMBER OF ILLEGAL COLUMBIANS RESIDING IN VENEZUELA AND COULD EVENTUALLY COMPLICATE RELATIONS WITH VENEZUELA'S MOST IMPORTANT NEIGHBOR (SEE SEPTTEL).

3. BACK TAX CLAIM REVIVED. NEW COMPTROLLER GENERAL JOSE ANDRES OCTAVIO HAS REAFFIRMED HIS PREDECESSOR'S CLAIM MADE

EARLIER THIS YEAR THAT FORMER OIL CONCESSIONAIRES OWE APPROXIMATELY \$500 MILLION IN BACK TAXES AS A RESULT OF THE RETROACTIVE APPLICATION OF A 1970 CHANGE IN THE TAX LAW. THE CLAIM IS GENERALLY REGARDED AS HAVING A VERY WEAK LEGAL FOUNDATION AND APPEARS TO HAVE NO SUPPORT WITHIN PRESIDENT PEREZ'S ADMINISTRATION. THE MATTER IS NOW LIKELY TO GO TO THE TAX COURT, WHERE THE COMPANIES BELIEVE THEY HAVE A STRONG CASE. (SEE ALSO CARACAS 10644)

4. GOV OFFERS SPECIAL FINANCING TO BARBADOS AND DOMINICAN REPUBLIC, SEEKS TECHNOLOGY FROM CANADA. EFFORTS CONTINUE TO DIVERSIFY MARKETS FOR VENEZUELAN PETROLEUM AND SOURCES OF NEW TECHNOLOGY. THE DOMINICAN REPUBLIC AND BARBADOS ARE BEING OFFERED FINANCING FROM THE VENEZUELAN INVESTMENT FUND (FIV) TO COVER HIGHER PETROLEUM PRICES, AND SOME FORM OF SPECIAL SALES ARRANGEMENTS ARE REPORTEDLY UNDER DISCUSSION WITH PUERTO RICO. IN THE AREA OF TECHNOLOGY, OFFICIALS OF THE CANADIAN STATE OIL COMPANY, PETRO-CANADA, MET THIS WEEK WITH PRESIDENT PEREZ AND OTHER TOP GOV OFFICIALS TO DISCUSS POSSIBLE JOINT PROGRAMS, PARTICULARLY IN THE DEVELOPMENT OF HEAVY OILS. WE ARE TOLD, HOWEVER, THAT PETRO-CANADA HAS LITTLE OR NO TECHNOLOGY OF ITS OWN TO OFFER.

5. NEW DISIP DIRECTOR NAMED. BRIG. GENERAL RAUL GIMENEZ GAINZA, A CLOSE FRIEND OF PRESIDENT PEREZ AND A LONG TIME AD SUPPORTER, WAS NAMED DIRECTOR OF THE EMBATTLED DISIP ON AUGUST 31, REPLACING ARISTIDES LANDER WHO RESIGNED. GIMENEZ, WHO HAS RECEIVED MILITARY TRAINING IN THE U.S., IS GENERALLY FAVORABLY DISPOSED TO THE U.S. HE HAS BEEN ASSOCIATED WITH INTELLIGENCE/SECURITY ORGANIZATIONS SINCE 1965, HAVING BEEN DEPUTY CHIEF OF MILITARY INTELLIGENCE, DIRECTOR OF MILITARY JUSTICE, AND HEAD OF THE PRESIDENT'S MILITARY HOUSEHOLD. FOLLOWING HIS RETIREMENT IN JANUARY 1976, GIMENEZ FORMED AN

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EXTRA-OFFICIAL FOREIGN INTELLIGENCE UNIT IN THE PRESIDENT'S OFFICE.

6. PROMINENT LOCAL POLITICIAN ARRESTED. RAFAEL OLIVO, PRESIDENT OF THE SUCRE DISTRICT (EASTERN CARACAS) MUNICIPAL COUNCIL, WAS ARRESTED AUGUST 30 AND CHARGED WITH CORRUPTION. OLIVO, SON OF LATE CTV PRESIDENT AND AD VICE PRESIDENT FRANCISCO OLIVO, TURNED HIS BACK ON AD IN JANUARY 1975 TO FORGE AN INDEPENDENT/COPEI COALITION ENSURING HIS ELECTION AS COUNCIL PRESIDENT. THIS ACT OF POLITICAL OPPORTUNISM DID NOT ENDEAR OLIVO TO AD. THE COUNCIL'S BLATANT CORRUPTION AND INEFFICIENCY BECAME A NATIONAL SCANDAL AND AN EMBARRASSMENT TO OLIVO'S COALITION PARTNERS, COPEI, LEADING TO A CONGRESSIONAL INVESTIGATION INTO COUNCIL CORRUPTION. SO FAR THE INVESTIGATION HAS RESULTED IN OLIVO'S ARREST AS WELL

AS THAT OF THE COUNCIL VICE PRESIDENT AND EIGHT COUNCIL  
EMPLOYEES.

7. ELECTORAL REFORM PUSHED. A CONSENSUS SEEMS TO BUILDING  
FOR TWO BASIC CHANGES IN VENEZUELA'S ELECTORAL SYSTEM:  
SEPARATION OF STATE LEGISLATIVE AND MUNICIPAL CONCIL ELECTIONS  
FROM NATIONAL ELECTIONS, AND STAGGERED ELECTION OF THE CONGRESS  
SO THAT HALF THE MEMBERSHIP IS ELECTED EVERY TWO AND ONE-HALF  
YEARS. FORMER PREIDENT CALDERA, AS WELL AS THE LAST TWO  
PRESIDENTS OF THE SUPREME ELECTORAL COUNCIL, HAVE RECENTLY  
COME OUT IN FAVOR OF THESE CHANGES. OTHER POSSIBLE CHANGES  
ALSO BEING DISCUSSED WINCLUDE NON-PARTISAN MUNICIPAL ELECTIONS  
AND THE ELECTION OF THE PRESIDENT THROUGH A SYSTEM OF VOTERS'S  
FIRST AND SECOND CHOICES. BOTH OF THESE IDEAS, HOWEVER, ARE  
MEETING RESISTANCE FROM THE MAJOR POLITICAL PARTIE, AD AND  
COPEI.  
VAKY

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## Message Attributes

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